Compound   Markets   **Governance**   Docs   App

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Compound Grants Program

`Passed`   040 • Executed March 14th, 2021

Gauntlet
0x6626...c35c

For	1,580,817

199 Addresses	Votes
A16z	344,990.7267
Polychain Capital	325,751.7797
Bain Capital Ventures	256,760.8916

VIEW ALL

Against	0

Address	Votes
0xEc44...Bc41	0.1943
—	—
—	—

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Details

1   Grant 5000.000 COMP to 0xF1D8c2eED95D5fC2EaDe4E6Bb15a5969453E89a9

Summary

We propose to start a program called the Compound Grants Program ("CGP"), which will provide funding to projects, ideas, and events that benefit Compound and its stakeholders. If approved, funding for the program will come from Compound's treasury , which currently holds ~200k COMP (~$95mm as of 03/01/21). As a reminder, the treasury currently accrues 0.5 COMP per block, spends 0.352 COMP per block on liquidity incentives, and saves the balance of 0.148 COMP per block for governance by tokenholders.

The program will be a pilot. For this reason, we believe it's prudent to limit the program's dollar value to $1mm per quarter and the length to two quarters for a cost of $2mm (4,444 COMP) over six months.

Since it's not practical to solicit a community vote for every disbursement, we propose forming a small and nimble committee that has the power to administer the grants at its own discretion (limited by the aforementioned dollar and length caps). We suggest forming a committee of eight members: one lead member to head the program and seven reviewing members to review the lead's work and assist with program operations. The committee will operate with a 4 of 7 multi-sig (only reviewers will be part of the multi-sig).

As compensation for administering the program, we propose the lead be paid $5k upfront and $100 per hour thereafter with a cap of 30 hours per week for a maximum compensation of $83k (184 COMP). In total, we are asking for a maximum of ~5,000 COMP to fund the grants (4,444 COMP), program setup and operational costs (444 COMP), and compensation for the program lead (184 COMP). All unspent funds will be returned to the community treasury at the conclusion of the CGP.

Purpose

Decentralized projects are living and breathing communities with a variety of stakeholders. These stakeholders include project team/contributors, tokenholders, users, partners, and for certain projects, liquidity providers. The goal for the CGP is to nurture Compound's ecosystem to benefit all of these stakeholders. To be more specific, the grants program aims to:

- Grow Compound's ecosystem by funding development happening on top of it. Funding development focused on helping Compound grow is critical to the project's long-term success.
- Fund ideas that benefit Compound that would otherwise not receive funding. Many good ideas are left unexplored because they fail to receive funding. We intend to make sure as few good ideas as possible are underfunded or unfunded.
- Strengthen goodwill by providing funding for community-led ideas. Funding projects, ideas, and events brought forth by community members will encourage more active participation by the community. It will have the added

Proposal History

● Created
March 9th, 2021 – 8:22pm

● Active
March 9th, 2021 – 8:22pm

✓ Succeeded
March 12th, 2021 – 12:37pm

✓ Queued
March 12th, 2021 – 12:56pm

✓ Executed
March 14th, 2021 – 1:42pm

benefit of nourishing goodwill. A well-nourished goodwill keeps community members loyal and happy, which in turn, encourages new members to join what they see is a thriving community.

Program Scope

The CGP was heavily inspired by the Uniswap Grants Program ("UGP"), which received approval from the community to deploy a maximum of $750k per quarter for two quarters. It's difficult to deploy a meaningful amount of money to ecosystem grants without compromising on quality. While we believe all of these ecosystems will be enormous in the future, it's important for us to be practical today by matching the grants budget to the size of the ecosystem.

To that end, the pilot program will deploy a maximum of $1mm per quarter and run for two quarters. We have no way of knowing whether this amount of money is overshooting or undershooting the needs of the ecosystem — we will only find out *after* running the experiment. For example, if we find out $2mm is not enough money to fund all of the high quality opportunities, we as a community may decide we need to create a larger allocation for grants. On the flipside, if we find out $2mm is too much, all unspent funds will be returned to the community treasury for use at a later time.

As part of the program, our intention is to fund projects, ideas, and events that *directly* benefit Compound and its stakeholders. While there may be opportunities to fund projects, ideas, and events that *indirectly* benefit Compound, these opportunities fall outside the scope of this program.

Not all opportunities applying for grants will benefit the Compound ecosystem equally. To help us prioritize which ideas to fund, we propose the following buckets:

High priority

- Protocol and parameter development. Apart from acts of stewardship and generosity, there is little to no incentive for community members to propose technical updates to the protocol. With no carrot with which to motivate community members to propose changes, the protocol isn't able to innovate as quickly as it should be innovating in a dynamic and competitive market. We should note that in a minority of cases community members did receive payment for work done (for example, see the work done by Gauntlet on the COMP Contributor Grants proposal), although here too, the incentive to contribute was not well-designed since it required Gauntlet to front audit and development costs before knowing the proposal to pay them would pass. To encourage community members to propose changes, the CGP will fully or partially pre-fund development and audit costs. In doing so, we hope to encourage more proposals, which will lead to more innovation and as a result, a far better Compound for all of us.
- Code audits. Making technical updates to the protocol is risky business: smart contracts are immutable and control billions of dollars in user funds. An error in a technical update can have serious consequences. Because of this, it is considered best practice to have an auditor review the proposed update for soundness prior to its submission. Unfortunately, these audits are expensive, particularly for individual contributors who need to pay for them out of pocket. We intend to provide grants that pre-fund audit costs for soon-to-be proposals. We hope this will encourage more individual contributors to propose technical updates to the protocol.
- Business development / integrations. A greater amount of liquidity makes Compound a better product for all users. To grow liquidity, Compound should be integrated with as many applications as possible. To that end, we aim to fund integrations that grow usage of Compound. In funding integrations, we will effectively be funding the business development function for the protocol.
- Advertising and sponsorships. It will be important to get the word out there about this program. The more people there are that know about the CGP, the more applications we should expect to receive. To spread the word about the program, we will spend funds to advertise the CGP on podcasts, newsletters, and other mediums that attract the audience we want to attract.

Medium priority

- Hackathons. It's very likely that there exist uses for Compound that haven't been explored yet. Hackathons are a fantastic way to explore design spaces, and the CGP intends to sponsor them.
- Bounties. This one speaks for itself: bug fixes and minor protocol updates will be covered by the CGP.

Low priority

- Miscellaneous improvements. It's difficult to know ahead of time all of the grant applications that will come through. Just because an application does not fit neatly into one of the above buckets doesn't mean it's not valuable to the Compound ecosystem. So long as an application benefits Compound directly, we will consider it for a grant.
- Applications for miscellaneous improvements to Compound fall into this bucket. Because the scope of this bucket is broad, we consider it to be low priority compared to the narrowly scoped buckets above.

While we did our best to prioritize items among each of the three buckets, we are confident that the above list is not all-inclusive. We expect to receive grant applications for phenomenal ideas that we simply can't think of today. The committee asks the community for the right to exercise discretion to fund ideas that are beneficial to Compound but are not part of the scope outlined above.

Process and Timeline

If approved, the program will begin shortly after this proposal passes and end six months following the start of the program. (In other words, if the proposal passes on 3/15/2021 and

begins on 3/22/2021, it will end on 9/22/2021). The program will run on a rolling process: we will welcome applications at any point in time during the program length! We will stop accepting applications two weeks before the end of the program (during these two weeks, we will start wrapping the program up, which will include evaluating the last of the applications and returning unspent funds to the treasury).

We will source potential grants via an applications process. (We will be sharing the application soon after this proposal passes).

Once an application is received, CGP committee members will discuss the application and evaluate it in the context of its benefit to Compound and its stakeholders. If the committee approves the application, funds will be paid out to the receiving party on the timely basis. If the committee does not approve the application, the soliciting party will be notified as to why the application was not approved and, if applicable, what steps need to be taken to have the application approved in the future. All approved grants and their amounts will be disclosed to the community publicly and on a timely basis.

Finally, a member of the CGP committee will participate in the bi-weekly Compound community developer calls. We will attend the call, listen to what the community thinks should be funded, and present some of the newly funded grants.

Committee Members

The CGP committee will consist of eight members: one lead and seven reviewers. We believe the best committees share two features: first they must be capable, and second they must be motivated to actively participate. We believe this committee shares these two vital features.

Lead

Larry Sukernik (Sheepshead Bay, LLC)

Reviewer

Getty Hill (Grapefruit Trading)

Reviewer

Aparna Krishnan (Opyn)

Reviewer

Monetsupply (Independent)

Reviewer

Min Teo (ConsenSys)

Reviewer

Leighton Cusack (PoolTogether)

Reviewer

Jesse Walden (Variant)

Reviewer

Nick Cannon (Gauntlet)

The lead will be tasked with managing and operating the program while reviewers will have a duty of holding the lead accountable. To guarantee accountability, the committee will operate with a 4 of 7 multi-sig managed by the reviewers (note that the lead is not part of the multi-sig). In other words, four out of seven reviewers will need to sign the transaction for a grant to be approved and disbursed.

Committee Compensation

We propose the lead be paid $5k upfront and $100 per hour thereafter with a cap of 30 hours per week for a maximum compensation of $83k (~184 COMP). Since the majority of the work will be performed by the lead, they will be the only committee member to receive payment as part of the program pilot. Payments to the lead will be approved by the reviewers and made according to the following schedule: $5k upfront, with the balance paid at the end of each quarter (i.e., if the program begins on 3/22/21, the lead will be paid $5k on 3/22/21, and the again on 6/22/21 and 9/22/21 based on hours worked).

The funds for both the program and the lead's pay will be allocated to the CGP multi-sig from the Compound treasury. Running the CGP will come with setup and operational costs; we will set aside approximately 10% of the CGP budget to cover these costs. All unspent funds will be returned to the community treasury at the conclusion of the CGP.

What Does Success Look Like?

We expect success to come in two forms: one that's measurable and the other that's of the "you know it when you see it" type.

Measurable success metrics:

- Number of projects, ideas, and events funded
- Community engagement (e.g., increased activity on forums, Discord, and so forth)
- Increase in number of applications

"Know it when you see it" success metrics:

- Improved sentiment and goodwill within the community
- Improvement to Compound's brand and positioning in the market

Conclusion

If approved, the CGP will begin accepting applications for grants on a rolling basis shortly after its approval. To assist with the evaluation of potential grants, each grant will be classified into three buckets: high, medium, and low. High priority grants will be funded first; medium priority grants will be funded second; low priority grants will be funded last.

This program is a pilot. As such, we intend to keep the budget lean for a maximum disbursement of 5,000 COMP over six months across grants, setup and operational costs, and lead compensation. Make no mistake: this is an experiment. If the CGP works, Compound may want to graduate the program from a pilot to a full-time endeavor. If it doesn't work, we will learn why it didn't work and what should be done differently. Most of us are COMP holders here. That gives the privilege to try something that's never been tried before at a meaningful scale: to let the test subjects run the experiments.

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